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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/524,189	03/13/2000	Forrest N. Krutter	10106/4	6269

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EXAMINER

PASS, NATALIE

ART UNIT	PAPER NUMBER
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3626

DATE MAILED: 11/10/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/524,189

Applicant(s)

KRUTTER ET AL.

Examiner

Natalie A. Pass

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 13 August 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-11 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-11 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☒ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- ☒ Notice of References Cited (PTO-892)
- ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____.
- ☐ Interview Summary (PTO-413) Paper No(s). _____.
- ☐ Notice of Informal Patent Application (PTO-152)
- ☐ Other: _____.

DETAILED ACTION

Notice to Applicant

1. This communication is in response to the amendment filed 13 August 2003. Claims 1, 2, 4, and 10 have been amended. Claims 1-11 remain pending.

Claim Objections

2. The objection to claim 10 for typographical errors is hereby withdrawn due to the amendment filed 13 August 2003.

Specification

3. The amendment filed 13 August 2003 is objected to under 35 U.S.C. 132 because it introduces new matter into the disclosure. 35 U.S.C. 132 states that no amendment shall introduce new matter into the disclosure of the invention. "New matter" constitutes any material which meets the following criteria:

- a) It is added to the disclosure (either the specification, the claims, or the drawings) after the filing date of the application, and
- b) It contains new information which is neither included nor implied in the original version of the disclosure. This includes the addition of physical properties, new uses, etc. The added material which is not supported by the original disclosure is as follows:

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- "for electronic communication with an output device to display said values in a humanly readable format" as disclosed in claim 1, lines 5-7;
- "dividend is calculated in electronic readable format by the computer" in claim 2, lines 1-2;
- " for electronic communication with an output device to display said payment rate in a humanly readable format" in claim 4, lines 9-11 and in claim 10, lines 18-19.

In particular, Applicant does not point to, nor was the Examiner able to find, any support for this newly added language within the specification as originally filed on 13 March 2000. As such, Applicant is respectfully requested to clarify the above issues and to specifically point out support for the newly added limitations in the originally filed specification and claims.

Applicant is required to cancel the new matter in the reply to this Office Action.

4. If Applicant continues to prosecute the application, revision of the specification and claims to present the application in proper form is required. While an application can, be amended to make it clearly understandable, no subject matter can be added that was not disclosed in the application as originally filed on 13 March 2000.

Claim Rejections - 35 USC § 112

5. Claims 1-11 are rejected under 35 U.S.C. 112, first paragraph, as containing subject matter which was not described in the specification in such a way as to reasonably convey to one

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skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention.

(A) Independent claims 1, 4, and 10 and dependent claim 2 recite limitations that are new matter, as discussed above, and are therefore rejected.

(B) Claims 3, 5-9, and 11 incorporate the features of independent claims 1, 4, and 10, through dependency and are also rejected.

Claim Rejections - 35 USC § 101

6. The rejection of claims 1-11 under 35 USC § 101 as being directed to non-statutory subject matter is hereby withdrawn due to the amendment filed 13 August 2003.

Claim Rejections - 35 USC § 103

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

NOTE: The following rejections assume that the subject matter added in 13 August 2003 amendment are NOT new matter, and are provided hereinbelow for Applicant's consideration, on the condition that Applicant properly traverses the new matter objections and rejections made in sections 3-5 above in the next communication sent in response to the present Office Action.

8. Claims 1-9 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al., U.S. Patent Number 5, 704, 045 in view of Schwab, S., "Reinsurer Liability For Contingent Claims," The International Journal Of Insurance Law 1997, Vol 4, pp 28-39; 175-178, hereinafter known as Schwab, and further in view of Finance And Foreign Exchange, Insurance Law of the Peoples Republic of China, URL: <<http://www.ningbo-export.com/enexport/pr/finance3.html>>, hereinafter known as ILPRC.

(A) As per claim 1, King teaches a method of paying an insolvent Insurance Company's liabilities through a reinsurance agreement or other indemnification arrangements, comprising:

a) estimating values of an Insurance Company's assets and liabilities in a computer and storing said values in electronic readable format for electronic communication with an output device to display said values in a humanly readable format (King; see at least Figure 1, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16);

c) receiving at least a portion of the assets of the insolvent Insurance Company, including rights to the insolvent Insurance Company's reinsurers' obligations associated with the liabilities (King; see at least column 7, line 8 to column 8, line 67).

King fails to explicitly disclose

b) guaranteeing the payment of a fixed dividend to claimants or insureds of the insolvent Insurance Company, wherein said dividends is a percentage of allowed claims, the percentage being a function of said values.

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However, the above features are well-known in the art, as evidenced by Schwab.

In particular, Schwab teaches

b) guaranteeing the payment of a fixed dividend or payment to claimants or insureds of the insolvent Insurance Company (Schwab; see at least page 176, lines 5-44).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of paying an insolvent Insurance Company's liabilities of King to include guaranteeing the payment of a fixed dividend to claimants or insureds of the insolvent Insurance Company, as taught by Schwab, with the motivations of protecting the interests of claimants, abbreviating the delay in paying claimants, reducing administrative expenses and lightening the burden of insolvency (Schwab; page 176, lines 13-44).

King fails to explicitly disclose

wherein said dividends is a percentage of allowed claims, the percentage being a function of said values

However, the above features are well-known in the art, as evidenced by ILPRC.

In particular, ILPRC teaches wherein said dividends is a percentage of allowed claims, the percentage being a function of said values (ILPRC; see at least page 9, lines 1-9).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of paying an insolvent Insurance Company's liabilities system of King to include wherein said dividends is a percentage of allowed claims, the percentage being a function of said values, as taught by ILPRC, with the motivations of protecting the legitimate rights of the parties to insurance (ILPRC; page 1, Article 1).

(B) As per claims 2-3, King, Schwab and ILPRC teach a method of paying an insolvent Insurance Company's liabilities as analyzed and discussed in claim 1 above,

wherein said dividend is calculated in electronic readable format by the computer by at least adding the value of the insolvent Insurance Company property (reads on assets), including the expected present value of the reinsurer's obligations, and dividing by the expected present value of associated claims against the Insurance Company (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49), (Schwab; see at least page 176, lines 5-44); and

further comprising setting aside assets to cover administrative costs of the Insurance Company before calculating said dividend (King; column 5, lines 9-21, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27), (ILPRC; page 9, line 1 to page 10, line 2).

The motivations for combining the respective teachings of King, Schwab and ILPRC are as given in the rejection of claim 1 above, and incorporated herein.

(C) Claim 4 differs from claim 1 in that it is a computer-based method of reinsuring an insolvent Insurance Company's liabilities rather than a method of paying an insolvent Insurance Company's liabilities through a reinsurance agreement or other indemnification arrangements.

As per claim 4, King, Schwab and ILPRC teach a computer-based method of reinsuring an insolvent Insurance Company's liabilities comprising:

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a) estimating a value of the Insurance Company's assets (King; see at least Figure 1, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16);

b) estimating a value of claims against the Insurance Company (King; see at least Figure 1, column 7, line 8 to column 8, line 67, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16), (Schwab; see at least page 176, lines 5-44);

c) evaluating obligations of reinsurers against said claims (King; see at least Figure 1, column 7, line 8 to column 8, line 67, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16), (Schwab; see at least page 176, lines 5-44);

d) determining the shortfall or insufficiency of the assets including the reinsurer's obligations to cover said claims and administrative costs associated with said claims (King; column 7, line 8 to column 8, line 32);

e) determining a payment rate of said claims as a function of said shortfall and storing said payment rate in electronic readable format for electronic communication with an output device to display said payment rate in a humanly readable format (King; see at least Figure 1, column 7, line 8 to column 8, line 32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, line 30 to column 23, line 6);

f) indemnifying at least a portion of the Insurance Company's liabilities for said claims at said guaranteed rate by an Indemnifying Agent (ILPRC; page 8, line 62 to page 10, line 2); and

g) assigning at least a portion of said assets and Reinsurer's obligations to the Indemnifying Agent (ILPRC; page 8, line 62 to page 10, line 2).

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The motivations for combining the respective teachings of King, Schwab and ILPRC are as given in the rejection of claim 1 above, and incorporated herein.

(D) As per claims 5-9, King, Schwab and ILPRC teach a computer-based method of reinsuring an insolvent Insurance Company's liabilities as analyzed and discussed in claim 4 above,

further comprising:

assigning to said claims a plurality of priorities and determining a plurality of payment rates to correspond to said claims depending on the priority assigned to the claim (King; column 13, lines 5-16);

assigning an upper limit on an aggregate amount the Indemnifying Agent is liable for said claims (King; column 3, lines 31-46, column 4, lines 10-45, column 7, line 8 to column 8, line 67, column 14, lines 41-57);

assigning to said Indemnifying Agent all assets or property of the insurance company (reads on rights of the Insurance Company for any salvage or subrogation to which the Insurance Company is entitled) (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27), (ILPRC; page 8, line 62 to page 10, line 2) (Schwab; see at least page 32, lines 3-23, page 176, lines 5-44); and

assigning to the Indemnifying Agent all assets or property of the insurance company (reads on a security interest in at least some of the Insurance Company's rights in secured or special deposits or similar fund held by any state, trusts, letters of credit, and other security due to or held in the Insurance Company's favor) (King; column 5, lines 9-21, column 7, line 8 to

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column 8, line 67, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27), (ILPRC; page 8, line 62 to page 10, line 2) (Schwab; see at least page 32, lines 3-23, page 176, lines 5-44); and

appointing a Deputy Liquidator to administer the Insurance Company (King; column 7, line 8 to column 8, line 67), (ILPRC; page 8, line 62 to page 10, line 2).

The motivations for combining the respective teachings of King, Schwab and ILPRC are as given in the rejection of claim 1 above, and incorporated herein.

9. Claims 10-11 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hammond et al., U.S. Patent Number 5, 712, 984 in view of King et al., U.S. Patent Number 5, 704, 045.

(A) Claim 10 differs from claim 4 in that it is a software method for reinsuring an insolvent Insurance company's liabilities using a computer rather than a computer-based method of reinsuring an insolvent Insurance Company's liabilities.

As per claims 10-11, Hammond teaches a software method for reinsuring an insolvent Insurance company's liabilities using a computer, said method comprising:

a) generating one or more statistical models representative of known cost values based on significant characteristics of historical insurance claims representative of immature insurance claims against the Insurance Company (Hammond; see at least Abstract, Figure 1, column 2, lines 14-34, column 3, line 24 to column 4, line 10);

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b) storing said statistical models in electronic readable format in a first electronic memory storage area (Hammond; see at least Abstract, Figure 1, column 2, lines 14-34, column 3, line 24 to column 4, line 10, column 22, lines 7-30);

c) determining significant characteristics of said insurance claims for unstated amounts and applying said models to said insurance claims for unstated amounts to estimate the actual losses anticipated for those claims (Hammond; see at least Abstract, column 2, lines 14-56);

Hammond fails to explicitly disclose

d) determining the expected amount of the Reinsurers obligations on the insurance claims for unstated amounts and calculating the present value of the Reinsurer's obligations;

e) calculating a guaranteed payment rate against said claims as a function of the Insurance Company assets, the present value of the Reinsurer's obligations and the present value of underlying claims against the insurance company;

f) storing the guaranteed payment rate in electronic readable format in a second electronic memory storage area for electronic communication with an output device to display said payment rate in a humanly readable format ; and

g) indemnifying the insolvent Insurance Company against the claims at at the guaranteed payment rate in exchange for the rights to the Insurance Company's assets and Reinsurer's obligations and

further comprising setting aside assets for administrative costs before calculating the guaranteed payment rate.

However, the above features are well-known in the art, as evidenced by King.

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In particular, King teaches

d) determining the expected amount of the Reinsurers obligations on the insurance claims for unstated amounts and calculating the present value of the Reinsurer's obligations (King; column 20, line 64 to column 21, line 14);

e) calculating a guaranteed payment rate against said claims as a function of the Insurance Company assets, the present value of the Reinsurer's obligations and the present value of underlying claims against the insurance company (King; see at least column 7, line 8 to column 8, line 32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, line 30 to column 23, line 6);

f) storing the guaranteed payment rate in electronic readable format in a second electronic memory storage area for electronic communication with an output device to display said payment rate in a humanly readable format (King; see at least Figure 1, column 7, line 8 to column 8, line 32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, line 30 to column 23, line 6);

g) indemnifying the insolvent Insurance Company against the claims at the guaranteed payment rate in exchange for the rights to the Insurance Company's assets and Reinsurer's obligations (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27); and

further comprising setting aside assets for administrative costs before calculating the guaranteed payment rate (King; column 5, lines 9-21, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the software method for reinsuring an insolvent Insurance company's liabilities using a computer of Hammond to include determining the expected amount of the Reinsurers obligations on the insurance claims for unstated amounts and calculating the present value of the Reinsurer's obligations; calculating a guaranteed payment rate against said claims as a function of the Insurance Company assets, the present value of the Reinsurer's obligations and the present value of underlying claims against the insurance company; storing the guaranteed payment rate in electronic readable format in a second electronic memory storage area for electronic communication with an output device to display said payment rate in a humanly readable format ; and indemnifying the insolvent Insurance Company against the claims at at the guaranteed payment rate in exchange for the rights to the Insurance Company's assets and Reinsurer's obligations and further comprising setting aside assets for administrative costs before calculating the guaranteed payment rate, as taught by King, with the motivations of providing a system for transferring risks which are unique or difficult to place in existing markets, for providing investors a system of accepting a specific risk or a diversification of risk, and a means of assuring timely payment and the highest degree of security available (King; column 3, lines 12-17).

Response to Arguments

10. Applicant's arguments with respect to claims 1-11 have been considered but are moot in view of the new ground(s) of rejection.

11. The prior art made of record and not relied upon is considered pertinent to Applicant's disclosure. The cited but not applied references Bosco, U.S. Patent Number 5,191,522 and the article teach the environment of utilizing reinsurance to distribute risk.

Bosco, U.S. Patent Number 5,191,522 teaches an integrated group insurance information processing and reporting system utilizing computer networks.

Law on Insurance of the Republic of Lithuania. 10 July 1996, No. I-1456. [Retrieved on October 31, 2003]. Retrieved from Internet. URL:
<<http://www.finmin.lt/engl/laws/drauisen.htm>>.

12. Any response to this action should be mailed to:

**Commissioner of Patents and Trademarks
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or faxed to: **(703) 305-7687.**

For informal or draft communications, please label
"PROPOSED" or "DRAFT" on the front page of the
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2451 Crystal Drive, Arlington, VA, Seventh Floor (Receptionist).


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13. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Natalie A. Pass whose telephone number is (703) 305-3980. The examiner can normally be reached on Monday through Thursday from 9:00 AM to 6:30 PM. The examiner can also be reached on alternate Fridays.

14. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas, can be reached at (703) 305-9588. Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the Receptionist whose telephone number is (703) 308-1113.



Natalie A. Pass


JOSEPH THOMAS
SUPERVISORY PATENT EXAMINER
TECHNOLOGY CENTER 3600

November 3, 2003